

FDIC State Profile

Fall 2004

New Hampshire

New Hampshire's economy continued to improve as measured by the unemployment rate.

- The unemployment rate in New Hampshire has declined this year and as of July stood at 3.9 percent seasonally adjusted (See Chart 1), its lowest level since October 2001.
- By comparison, the unemployment rate had been as high as 4.9 percent in June of 2002 and as low as 2.5 percent in November of 2000.
- Since 2000, the unemployment rate in New Hampshire has been well below the nation's rate.

New Hampshire had much faster growth in its labor force than the United States as a whole *and* much lower unemployment.

- New Hampshire's 1.67 percent average annual rate of growth in the labor force over the past 20 years was greater than the nation's average of 1.30 percent (See Chart 2). In addition, New Hampshire's 4.15 percent average unemployment rate for the same period was considerably better than the national average of 5.83 percent.
- When the average labor force growth rate and average unemployment rate are combined into a labor market performance measure,¹ they indicate that New Hampshire's economy has performed much better than the nation for this period.
- The mapping of this labor market performance measure for individual New Hampshire counties indicates that almost all of the state has exceeded the nation in performance (See Map 1). Only Coos County in the extreme north underperformed the nation, while Grafton, Carroll, and Merrimack counties in the center of the state were the strongest.

Profitability continues, but earnings show pressure from low interest rates and declines in gains on securities.

- New Hampshire's insured institutions remain profitable, but the median return on assets (ROA) continued a slight

Chart 1: The Unemployment Rate in New Hampshire is Well Below the Nation

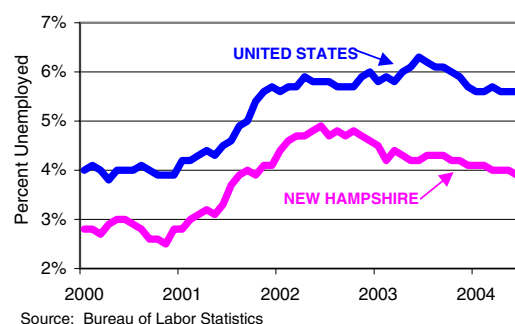
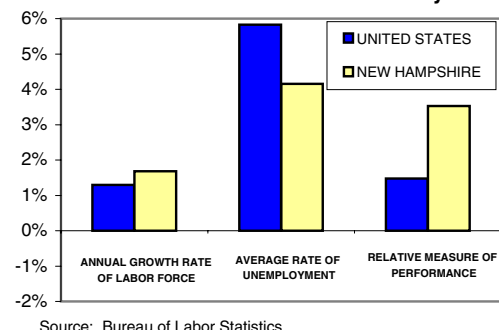
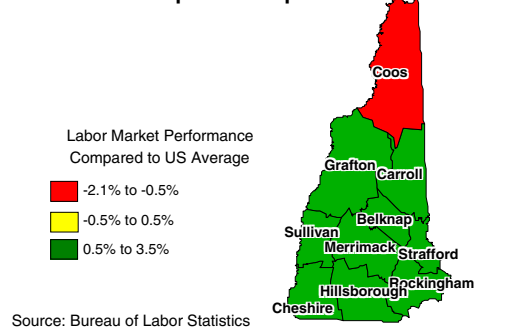


Chart 2: Fast Growth and Low Unemployment Enabled Labor Markets to Perform Very Well



Map 1: Labor Markets in all but One County in New Hampshire Outperformed the U.S.



¹The labor market performance measure is the sum of the average annual growth in the labor force and the difference between the average unemployment rate and 6.00 percent.

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decline in the second quarter of 2004 to the lowest level since 1992 (See Chart 3). Earnings continue to be impacted by historically low interest rates as well as lower gains on the sale of securities.

- In the first half of 2004, 23 percent of insured institutions reported an increase in ROA compared to 34 percent in the first half of 2003 and 66 percent in the first half of 2002. The number of institutions reporting ROA between 0.5 percent and 1.0 percent remained fairly stable, while the number of institutions below 0.5 percent increased from 6 percent of institutions in 2002 to 17 percent of institutions in 2004. The number of institutions reporting ROA above 1.0 percent declined from 47 percent of institutions to 30 percent during the same timeframe.

Loan growth strong in New Hampshire as home equity loan growth continues to be robust.

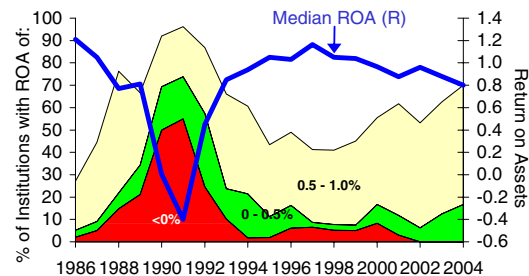
- The median growth rate for total loans in New Hampshire was almost 10 percent as of June 30, 2004, which represents a rebound in growth after slowing the previous three years. After declining sharply in the previous two years, commercial loan growth increased slightly in the first half of 2004 to a median growth rate of 10 percent. Consistent with the strong housing market, home equity loans posted robust growth for the fifth year in a row (See Chart 4).
- In addition to the strong growth of home equity loans outstanding, unfunded commitments increased rapidly but at a slightly slower pace. As of June 30, 2004, the median growth rate of unfunded commitments on home equity loans was 20 percent, and the median rate has exceeded 20 percent in each of the last four years. Unfunded commercial loan commitments declined sharply in the last year as commercial loan growth began to slow.
- The overall growth of small business loans (loans less than \$1 million) has been slow in New Hampshire. Small business commercial loans between \$250,000 and \$1 million have shown the largest growth with a median growth rate of 12 percent in the last year.

Nonmaturity deposits high in New Hampshire as long-term assets continue to rise.

- Nonmaturity deposits² represented almost 69 percent of total domestic deposits in New Hampshire's insured institutions³ as of June 30, 2004. The ratio has risen during the low interest rate environment because depositors are maintaining liquidity in nonmaturity deposits while waiting for better investment alternatives (See Chart 5).

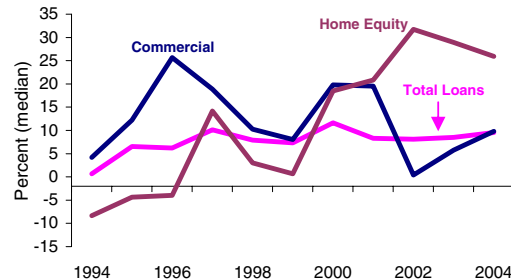
- As of June 30, 2004, long-term asset growth slowed to a median growth rate of 5 percent. The ratio of long-term assets to assets now stands at 26 percent. Some insured institutions may be faced with a mismatch of asset and liability repricing as interest rates rise.

Chart 3: Earnings Showing Pressure as Number of Top Earners Declines in New Hampshire



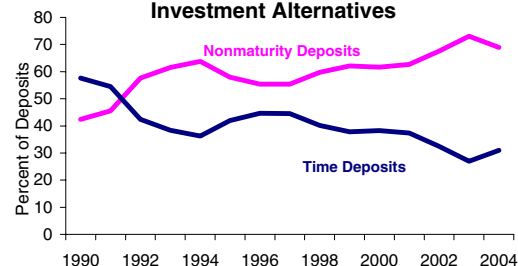
Note: Data as of June 30th.
Source: FDIC

Chart 4: New Hampshire Home Equity Loan Growth Has Been Strong



Note: Data as of June 30th.
Source: FDIC

Chart 5: Nonmaturity Deposits Among Historical Highs as Depositors Wait for Investment Alternatives



Note: Data as of June 30th and excludes credit card banks.
Source: FDIC

²Nonmaturity deposits include transaction accounts, savings and money market deposit accounts.

³Call filers only. Excludes credit card institutions.

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New Hampshire at a Glance

General Information	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Institutions (#)	30	32	32	34	36
Total Assets (in thousands)	28,691,167	29,607,725	29,526,875	34,441,517	30,626,587
New Institutions (# < 3 years)	0	0	0	2	2
New Institutions (# < 9 years)	3	3	3	4	5
Capital	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Tier 1 Leverage (median)	9.05	8.71	9.30	8.81	8.54
Asset Quality	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Past-Due and Nonaccrual (median %)	0.73%	1.24%	1.31%	1.23%	1.42%
Past-Due and Nonaccrual >= 5%	1	1	1	2	1
ALLL/Total Loans (median %)	1.01%	1.13%	1.16%	1.18%	1.22%
ALLL/Noncurrent Loans (median multiple)	4.30	2.79	3.18	2.32	2.50
Net Loan Losses/Loans (aggregate)	3.74%	6.24%	18.35%	5.97%	4.41%
Earnings	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Unprofitable Institutions (#)	0	0	0	1	3
Percent Unprofitable	0.00%	0.00%	0.00%	2.94%	8.33%
Return on Assets (median %)	0.80	0.88	0.96	0.88	0.97
25th Percentile	0.56	0.66	0.76	0.68	0.68
Net Interest Margin (median %)	3.99%	4.20%	4.40%	4.19%	4.36%
Yield on Earning Assets (median)	5.25%	5.82%	6.72%	7.83%	7.83%
Cost of Funding Earning Assets (median)	1.27%	1.69%	2.37%	3.77%	3.57%
Provisions to Avg. Assets (median)	0.03%	0.10%	0.10%	0.07%	0.10%
Noninterest Income to Avg. Assets (median)	0.55%	0.64%	0.56%	0.53%	0.46%
Overhead to Avg. Assets (median)	3.01%	3.00%	3.04%	3.09%	3.16%
Liquidity/Sensitivity	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Loans to Deposits (median %)	81.95%	75.21%	77.33%	80.51%	84.70%
Loans to Assets (median %)	67.25%	63.32%	64.77%	68.24%	69.24%
Brokered Deposits (# of Institutions)	6	4	1	2	3
Bro. Deps./Assets (median for above inst.)	1.99%	1.94%	48.66%	24.62%	1.01%
Noncore Funding to Assets (median)	18.21%	16.87%	16.23%	16.28%	13.17%
Core Funding to Assets (median)	70.17%	70.92%	71.40%	70.63%	73.71%
Bank Class	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
State Nonmember	8	9	9	9	11
National	4	5	5	6	6
State Member	1	1	0	0	0
S&L	1	1	1	1	1
Savings Bank	5	5	5	6	6
Stock and Mutual SB	11	11	12	12	12
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	21	18,535,871	70.00%	64.60%	
Portsmouth-Rochester NH-ME PMSA	4	1,017,740	13.33%	3.55%	
Manchester NH PMSA	2	8,551,380	6.67%	29.80%	
Lawrence MA-NH PMSA	2	574,796	6.67%	2.00%	
Nashua NH PMSA	1	11,380	3.33%	0.04%	